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Using innovative research to build the foundations of actionable CRM strategies

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Abstract

This paper aims to redress the balance in customer relationship management thinking by asking organisations, and in particular the banks, to listen to their customers and not be systems or software led. It outlines new thinking in researching this topic among consumers and assesses some of the implications of the research for not only banks, but also other customer-facing organisations.

Keywords: banks, consumers, innovative market research, new approaches to CRM

Customer relationship management . . . er, what about the customer?

Although customer relationship management (CRM) continues to be the buzzword in the UK retail financial services industry, it appears to have forgotten the customer. The problem has been that what has taken off has been the development of CRM systems and software, as well as strategies which promise or offer the following:

- Operational-oriented CRM: systems which can hold transaction-level data on individual products, customers and transactions. They provide support for customer-facing processes done by direct mail, phone, Internet, third-party agents . . .
- How to re-engineer your business processes to become truly customer-centric.
- How to employ painless ‘sacking’ strategies with your unprofitable customers.

All this activity is necessary, but it is only one side of the equation. If any relationship is about two-way needs and communication, this is still very much about one-way initiatives — from the provider to the customer. Of course, it would be wrong to say all financial providers are solely adopting this strategy. Some are rightly taking the customer into account. However, there is a danger that if they do not give equal weight to the customer then CRM will still remain customer management, rather than customer relationship management.

Surely, the success of customer relationship management is somewhat dependent on the extent to which the customer will let you, the provider, have a relationship with them.

If customer relationship management is going to be truly successful then we really have to listen to the customer — and drill down deeply into

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what the customer wants. The challenge is then to integrate and fuse these needs with internal CRM systems, processes and software and thus be customer, not software, led. Permission-based marketing and CRM go hand in hand. This paper is therefore concerned with how, through innovative research, BDRC listened to the customer and the potential customer — with the aim of eliciting the CRM needs which the customer wants, and which can be realistically achieved between customer and provider.

This research is thus concerned with a central CRM question: ‘How can my bank form a relationship with me, a customer, which is mutually beneficial to my bank and myself?’

In setting the agenda for the research BDRC knew that it was specifying the ingredients for a different kind of thinking — a different kind of research would be needed to answer this question fully. It was decided that a workshop approach was needed — but one with a different atmosphere to most traditional focus groups.

Getting away from the status quo

Standard focus groups would not work

Time was needed to give consumers the space to think about the nature of the relationship they wanted with their bank, and the specific ingredients of that relationship. To ask this of consumers in the relatively short space of time of a standard group discussion of 90 minutes, or even an extended one of two to three hours, would not work.

To cover all the necessary CRM issues which needed to be evaluated and vitally to give consumers time to think about the subject and their needs, it was decided that a two-day workshop would be necessary — but importantly, with the same consumers.

Consumers were incentivised appropriately for the two days. Since the majority of the consumers for the workshops would be working, it was thought that it would be difficult to get people to take time off work. In practice, this was not a problem due to the nature and flexibility of the workplace — thus people on shift work, flexitime or those who had not used up all their holiday allocation were willing to come to the workshop, as were those who took time off work.

Having clients observe would be too passive

To achieve realistic, but workable, CRM solutions for the clients concerned (the research was syndicated for a number of clients), it was important that it was known, on the spot, whether a specific idea generated by a consumer was workable or not, and thus should be further developed by the group. The active involvement of clients within the group was therefore vital.

It was also considered important that the right type of client was involved. The vital ingredients were that they felt comfortable interfacing with consumers in the workshop, and were willing to accept CRM from the customer’s perspective first, and their own corporate standpoint only second.

Think outside the box

Two moderators not one

Given the scale of the task ahead it was decided that more than one moderator was needed — and that having a male and a female moderator would facilitate the workshop dynamics as there would be a mix of gender amongst consumers within each workshop.

Changing the atmosphere — Creating a progressive one

So far so good. The foundations were there, but a different atmosphere was needed if the research was to get beneath the skin of the superficial needs of a relationship ('The relationship I want is to be made up of excellent and efficient service, no charges when I go overdrawn and the best interest rates.');

overcome the endemic cynicism towards financial providers ('What relationship? I don't have one.' 'How can I have a relationship when they are always charging me?' 'The banks are out to make as much profit from me — that's all . . . Why do they suddenly want to have a relationship with me?'); and overcome the assumptions which stop people from thinking positively — the 'what are you assuming?' syndrome.

Figure 1 lists some of the commonly held assumptions which hold us back and stop us moving forward. Assumptions about ourselves, what people think of us and about life in general — and about banks.

If the workshops were to be a success the researchers had to create and sustain a different atmosphere — a progressive one where everyone felt excited and energised about what they were creating and, where practical, common CRM blueprints could be mutually developed and taken away by clients for fine-tuning within their own organisations.

By changing the foundations of the workshops we had gone some way

Yes, I own the CRM blueprints

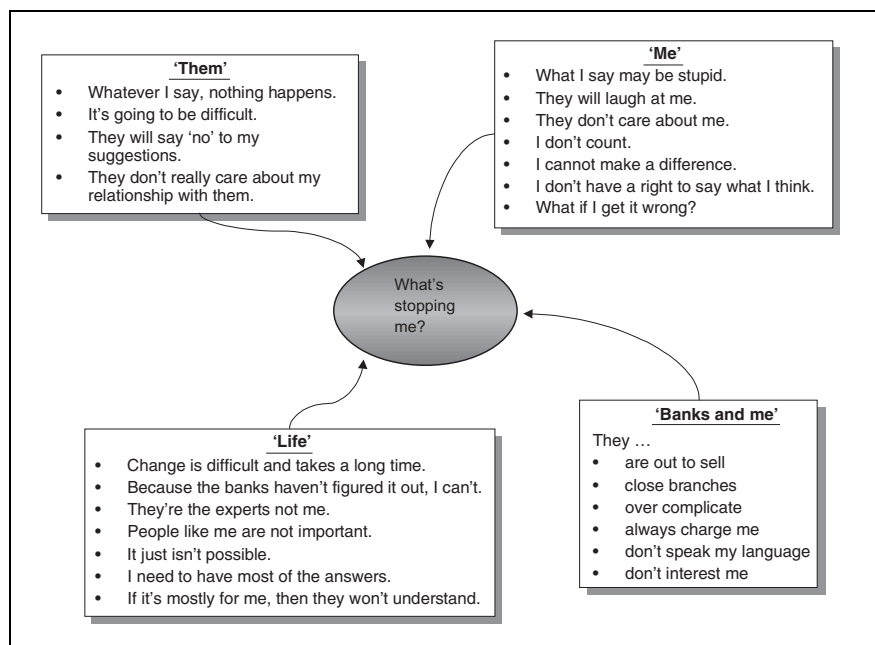


Figure 1: What's stopping me?

to creating a progressive atmosphere, and this was proven when the workshops were conducted.

Having clients in each group gave a human face to that bank. Respondents saw these people on equal terms; people like them who worked in jobs with stresses, strains and pressures. It made respondents open up to these people and actually want to help them; it got rid of all the cynicism towards such providers and helped remove the baggage which is often heard in focus groups — baggage which often stops people moving forward to more positive thinking and therefore solutions which are mutually beneficial to both consumer and provider.

The clients were also able to provide information to the respondents at the time the respondents wanted it, not when the client thought they wanted it. To do the latter would have stifled the respondents. Thus when a respondent asked ‘Why can’t my bank use all the information which is in my current account to help them manage my finances better?’, the client was able gently to point out that the banking laws prevented them from doing so. The workshop was then able to move on, having put this barrier aside, and think of effective ways in which banks could collect this information without it being intrusive and meaningless from the customer’s perspective.

However, a key driver in really ensuring a progressive atmosphere was the way we broke the status quo in terms of respondent composition of the workshops.

A diverse group, not a uniform one

Most focus groups are conducted among a uniform group of people. Clearly there is still a fundamental place for these, and long may they continue!

However, for this project the research needed to uncover issues which consumers may not have even thought about, or at best thought about on a rather superficial basis. The researchers also wanted to avoid an atmosphere whereby peer-group pressure and uniformity of thinking could potentially stifle respondents’ willingness to offer solutions which they felt their peers might say ‘no’ to. Again it was realised that there can be variation within a supposedly uniform group, but for this project it was felt that more ideas would come from a diverse group. If any possible limitations were stripped away to create a varied group of consumers in terms of life stage and social background then real progressive thinking would (and did) emerge.

The only uniform parameters set on respondents were:

- all were financial decision makers
- all were from the core high-street banking market
- all were consumers who felt that having a relationship with their bank could potentially be a ‘good thing’; that is, they were not rejectors of the idea, though they still might be cynical about it, and were willing to enter into the spirit of what the research was trying to achieve.

Diversity encourages

It is important to stress that the people who came to the workshop were normal consumers and representative of the core market.

An equal, appreciative and attentive group

In a progressive atmosphere everyone gets a turn to think out loud and, importantly, to listen to and appreciate one another. To know in the progressive atmosphere that you will get your turn to speak makes listening to other members of the group easier. In the workshops there were the silent ones, but only at the beginning. Having a progressive atmosphere and having the time and space to think about the issues meant that the silent ones did contribute in an incisive and constructive way towards creating the CRM blueprints. Everyone became consumers. Why stifle a brilliant idea if you are a moderator in an equal atmosphere — where you are as ‘expert’ as the next person?

A physical atmosphere which ensures progressive ideas

This may seem obvious, but can often be overlooked. All the workshops were conducted in hotels. Meeting rooms in hotels can often be impersonal, functional and uninviting. No windows or windows with a concrete view. No space for people to move about and withdraw into their own space. For each workshop the researchers ensured that the room they were going to work in for two days created an atmosphere that said ‘I want to contribute to this discussion and I want to be here for the two days.’

Thus the researchers had the ingredients for a powerful set of workshops to create meaningful CRM blueprints. How did the workshops work?

Workshop geography

It was felt important for the respondents to know what BDRC wanted to get out of a workshop and how they proposed to do this — usually one of the clients explained their background and needs. They introduced each workshop and importantly had the time and space to do so.

Normally each day of the workshop was divided into two three-hour sessions. Each session consisted of a CRM headline that the researchers wanted to drill into and thus develop CRM blueprints — broad ways to proceed from the consumer perspective which the clients could then take away and develop further according to the CRM strategy of their own organisations.

Some of the CRM headlines covered were:

- ‘How can a bank keep up with my changing needs?’
- ‘How can a bank understand the role of money in my life?’
- ‘How can a bank provide me with products and services that make me feel I have a relationship with them?’
- ‘How can a bank communicate with me to establish, maintain and grow the relationship?’
- ‘What sort of relationship do I want in the first place and what are the components of it?’

The agenda

The preceding sections are a description of how BDRC tackled researching customer relationship management. It paid dividends. CRM blueprints were and are continuing to be developed from the research. Before looking at some of the implications for CRM which came out of the research it is worth taking stock of the research model created for CRM, as we believe that it has significant implications for other service sector industries.

A research model was created that:

- engages today's more sophisticated, marketing-literate, demanding, cynical and indeed confident consumer, who has become tired with lots of customer service initiatives and has seen customer service become standardised, not individualised
- involves the client actively in the research, thus removing the wall/filter of the researcher
- makes clients really listen to what the consumer has to say, thus putting the 'C' back into CRM.

Clearly we feel that such a model has implications for other sectors to consider how they commission research, and indeed how they respond to what it says and its implications.

Now let us look at the implications for CRM which came out of the research.

Implications of the research

Remember what a relationship is . . .

'Relationships' are an emotional concept and can run counter to rational product-holding definitions. It is essential that we view relationships in customers' terms — and they describe relationships in terms of:

Don't ignore the obvious

- feelings
- service received
- level of contact
- longevity.

This may seem obvious, but it is being ignored by many organisations, not only the banks. The vocabulary of communication to the customer needs to change to one that they can understand and which has real resonance and meaning to them. Many feel they do not have the vocabulary to speak with their bank because they really feel their bank communicates in bank-speak. Much of the language used is also considered to be too product oriented and not relationship oriented. It is also standardised and formulaic, not individualised.

A key finding which emerged from the research was that models of training staff had to be reoriented almost completely. A new approach is needed, focusing on customers' needs — which may not be product related. Thus instead of staff being trained to offer a loan to a customer who needs cash, they need to be trained in probing why the customer is in

Relationships are wider than one to one

this situation. They need to be able to assess the emotional state of that customer and the wider context in which that customer operates. It may well be that this particular customer has difficulty in managing their money and needs help to achieve this — not a loan. The bank could then offer seminars on this issue in either one-to-one sessions or mini-groups, or even online chat-rooms. Note that such a new approach to managing this issue requires a change in the mind-set of the bank to move away from what might be an instantly appealing, tactical, product-sale mentality, to one that is more strategic and long term in its view of the customer.

Another new approach to managing ‘the relationship’ is understanding the wider impact which that relationship may have on future business. Do not consider the customer in isolation. The parents of James who is about to go to university may have a profound impact on their son’s choice of current account provider and how he manages his finances. The research showed that the touchpoints are not about the attractive product offer of a current account, but the benefits that gentle self-help in encouraging James to manage his money will ultimately bring to his profitability for the bank. Moreover, the positive messages this strategy has on his parents will also enhance their relationship with that bank and make them more receptive, for example, to pre-retirement planning offers from it. The end reward is enhanced cross-selling opportunities rather than the short-term tactical gain of a student current account. The latter may not continue if James gets into financial difficulties throughout his undergraduate life and receives no help from his bank. The bank needs to recognise the ramifications of its CRM programme on potential customers, and that relationships can extend beyond the immediate customer.

There could be as many parts of your organisation breaking as making relationships. . . Check out the components shown in Figure 2 in your organisation — are they the bricks or the hammers?

Check out what your customers really mean when they say your products are complicated, but also when you are surprising them — did you know about that? And how can you surprise them more . . . without it being formulaic.

Indeed, one of the major factors eroding customer relationships is direct mail, which most customers, you and I, call junk mail. Why?

- Because the customer has in most cases never been asked or even given permission for them to be sent this mountain of mail.
- It is all to do with selling a product, not building a relationship.
- It does not appear targeted to most people; it may be in the eyes of the database manager through his postcode analysis, but not in the customer’s eyes.
- It does not seem personal or direct to the customer; it is not individualised.

While the success of a direct mail campaign is measured in terms of the quick, tactical sales it makes in terms of the outlay cost, did anyone take

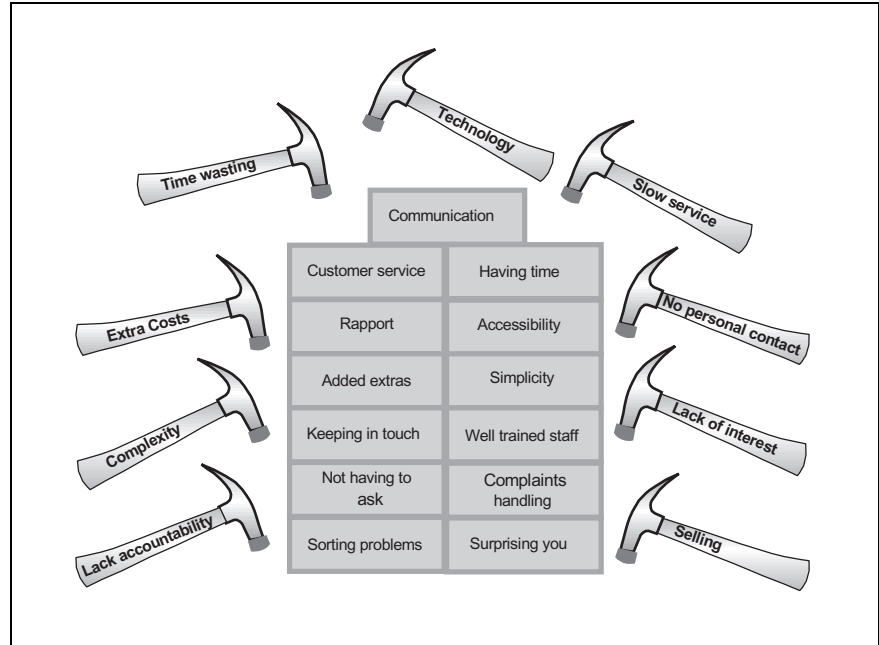


Figure 2: What builds and what breaks a business relationship?

the time to measure how many customers were alienated by it? Often direct mail does not feel direct mail to the customer.

The research showed that what compounds this is the fact that the customer believes their bank knows all about their financial affairs because they can monitor all their transactions, standing orders and direct debits on the current account statement — yet they choose to ignore this because the result is junk mail. The customer does not realise that at least in the UK the banking and data protection laws do not permit them to use this information. Yet how many banks have communicated this fact to their customers? (Figure 3.)

Fundamental re-think

This whole area of direct mail needs to be re-evaluated — the status quo needs to change, otherwise the other parts of your CRM strategy will be eroded away.

One caveat here. The bank, or indeed any provider, needs to demonstrate to the customer why and how they will use that information to benefit the customer. If they do this, information requests change from being intrusive to being helpful and beneficial.

Thus if you are going to send out a questionnaire, explain after each question the benefit which giving this information may have for the customer. A question such as ‘Are you expecting to have a family in the next year?’, which a young couple may well find very intrusive, suddenly becomes the opposite if the bank gently points out the high cost of child minding and the fact that it has a special child-minding savings scheme to help alleviate this burden. The new approach here is providing a life stage, product-based solution — but one where the product itself is relationship based. The communication platform is about helping and

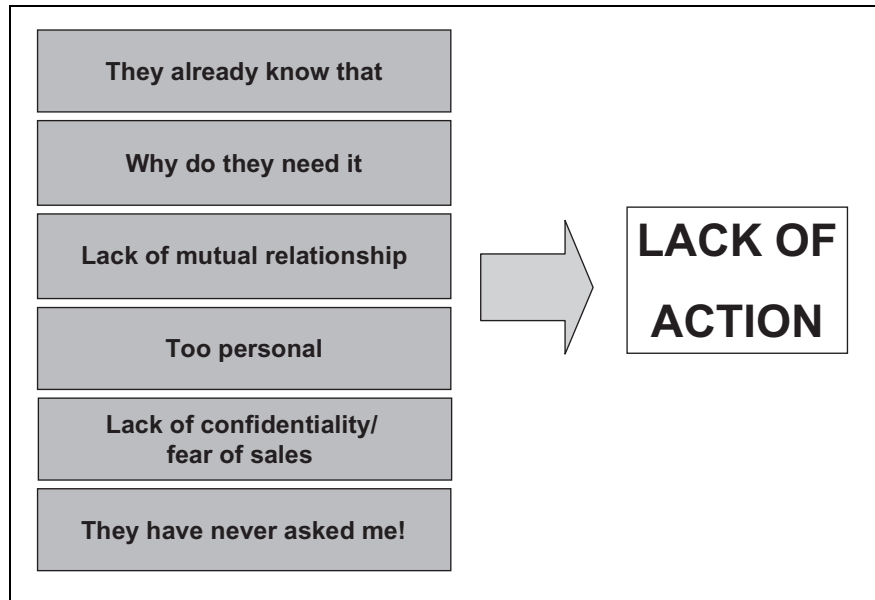


Figure 3: Barriers to providing information

anticipating customer needs: it is purposive and proactive; it is mutually opportunist and not perceived as one sided in the bank's favour (see Figure 3).

Involve and individualise the customer

Clearly the role of research is crucial in achieving these twin objectives, which, as Figure 4 shows, must be an iterative process — but again the degree of that iteration must lie with the customer. The research showed that their permission needs to be sought in terms of the frequency with which you wish to contact them to update your records; it must be

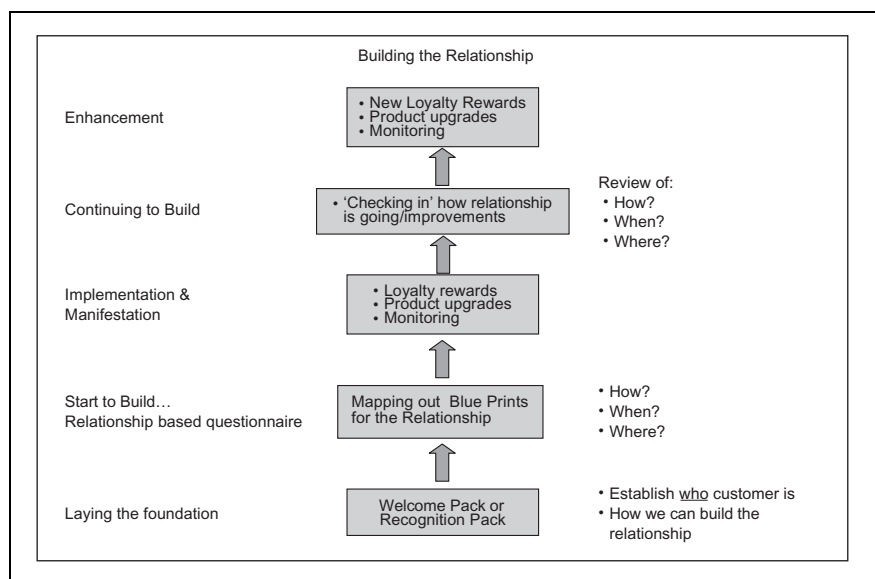


Figure 4: Components in building the relationship

established as to how the customer wants you to collect that information, and the best environment in which to collect it.

But even before the collection of information (the second box in Figure 4) — maybe through a relationship-based questionnaire — the foundation must be there that this bank or organisation means customer relationship management. The basic generic components may need to be the same, but they must reek and speak relationship, relationship.

The research consistently pointed to a new approach with a common relationship-building tool, the welcome pack (see Figure 5). A current account customer who has been in the market for some time and has recently switched banks because of poor service will want to hear different messages about his new bank’s brand and customer service programme than someone who is coming into this market for the first time. The loyalty programme which is illustrated in his welcome pack may take into account his past ‘good behaviour’ — in this way empathy is created. The customer is recognised and understood — and importantly the customer realises that the bank knows this!

Conclusions

So, is customer relationship management a reality? One may conclude not yet — but while for some financial institutions it is beginning to happen, the following strictures need to be consistently adhered to.

- Be customer not software led: do not simply provide a systems solution.
- It is vital that technology delivers the benefits, but it should not dictate the strategy. To achieve this the customer must be at the heart of CRM and not just within the CRM project team — it needs to pervade the whole organisation.

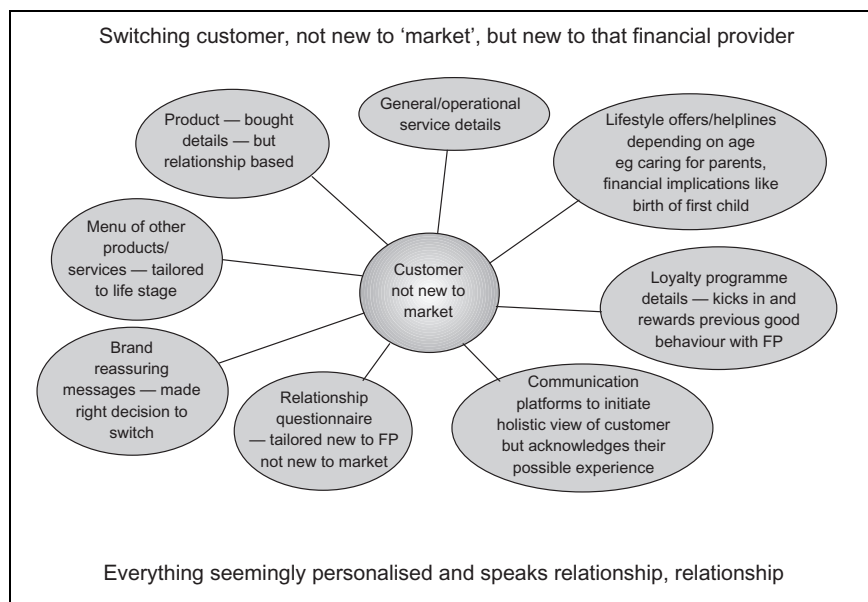


Figure 5: Ingredients of a welcome pack

- Do not assume that all customers want the same intensity of relationship.
- Seek out their permission first; then build the relationship.
- Be a customer yourself! Will I like this?
- Do not forget the relationship in CRM.

True CRM will not be about instant wins. It is about the long haul. It takes courage and needs significant cultural change. The ticket to the CRM game is challenging, but ultimately very rewarding — but this time the rewards will be for the customer as well as the provider.

And what of the research approach BDRC created? How successful was it? Both the researchers, but more importantly the clients who took part, all felt that it had achieved its objectives. Clearly while it was being used in the context of a client syndicate, it can and does work for individual client projects. Moreover, the model can be adapted to a shorter time period and employed in other sectors — for example, telecommunications and key service industries such as hotels. At BDRC it is fervently believed that it is increasingly vital to think ‘outside the box’ where research approaches or methodologies are concerned. As was found here, the rewards for clients were substantial.